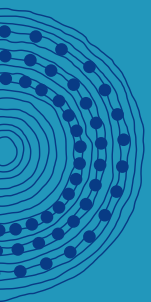




**Issue Paper:
Strengthening
Uganda's
Climate
Finance
Accountability
Landscape**





**Theme: Enhancing Climate Financing
and Accountability for inclusive and
sustainable Economic Growth**

1.0

BACKGROUND



The ability of Governments to implement climate change responsive adaptation and mitigation strategies relies on sustainable climate financing. This requires cooperation based on the principle of common but differentiated responsibilities and respective capabilities. It is important to note that for climate financing commitments to be effectively honoured at local and international levels, climate finance accountability is very central. This is because when climate financing is properly utilized, well accounted for and manifest value for money, it will generate the much-needed confidence among the donors, development partners and local taxpayers to continue supporting climate change interventions.

Against this background, the Civil Society Budget Advocacy Group (CSBAG) in partnership with International Budget Partnership (IBP) and the International Institute for Environment and Development (IIED) undertook an assessment of Uganda's climate finance landscape that looked at Uganda's climate finance framework, its functionality and effectiveness. The logic of this approach was to understand the existing financing and accountability framework, identify strategies that shall support Government to ensure that climate change finances are utilised in an accountable and transparent mechanism and that actors including Parliament, CSOs, auditors have the information to contribute to improved financing as well as more transparent and accountable use of climate change funds.

2.0

CLIMATE FINANCE ACCOUNTABILITY LANDSCAPE IN UGANDA



2.1 Sources of climate finance

According to UNFCCC, climate finance is defined as local, national or transnational financing, which might be drawn from public, private and alternative sources of financing for climate action. Climate funds are resources earmarked at multilateral, bilateral and/or national levels for measures that address climate change. Several climate change dedicated funds such as Green Climate Fund (GCF), Climate Investment Fund (CIF) administered by the World Bank, Adaptation Fund¹, and Global Environmental Facility (GEF) have been established to support developing countries. There is need for large investments to significantly reduce greenhouse gases and to adapt to the adverse effects of climate change.

Uganda's climate change finance landscape is dominated by finance inflows from external sources². The global climate change finance is about 70 per cent of additional financial resources required for full implementation of the NDCs³ (NDC, 2015). Uganda is making effort towards having local/regional financing directed towards climate action. Uganda Development Bank Limited, a key local financier is in the process of greening its funding instruments⁴. The main source of climate finance is in the form of Official Development Assistance (ODA) from European countries as well as United States (US) and European Union (EU) institutions. Some of the notable adaptation projects include Building Resilient Communities, Wetland Ecosystems and Associated Catchments in Uganda (2016-2025), Acumen Resilient Agriculture Fund (ARAF)⁵-for the period 2018-2031 among others. Notable mitigation projects in Uganda include The Global Subnational Climate Fund (SnCF Global) – Equity (2020-2032), Global Subnational Climate Fund (SnCF Global) – Technical Assistance (TA) Facility (2020-2027), Universal Green Energy Access Programme (UGEAP) (2016-2021)⁶ and others. Figure 1 summarizes the sources and recipients of climate finance.

1 The Adaptation Fund is supporting five adaptation projects in Uganda to a tune of USD 32 million.

2 <http://www.climatefinance.go.ug/financing-mechanisms>

3 Republic of Uganda (2015): "Uganda's Intended Nationally Determined Contribution". United Nations Framework Convention on Climate Change (UNFCCC) <http://www4.unfccc.int/ndcregistry/PublishedDocuments/Uganda%20First/INDC%20Uganda%20final%20%2014%20October%20%202015.pdf>

4 <http://www.climatefinance.go.ug/financing-mechanisms>

5 <http://www.climatefinance.go.ug/projects/adaptation>

6 <http://www.climatefinance.go.ug/projects/mitigation>

Figure 1: Sources and recipients of climate finance



2.2 Need for climate finance accountability

The ability of governments to implement climate change responsive adaptation and mitigation strategies relies on sustainable climate financing. This requires cooperation based on the principle of common but differentiated responsibilities and respective capabilities. The need for the Low Developed Countries' (LDCs') access to financial resources to appropriately respond to climate change is very critical for their survival and sustainable development. It is important to note that for climate financing commitments to be effectively honoured at local and international levels, climate finance accountability is very central. This is because when climate financing is properly utilized, well accounted for and manifest value for money, it will generate the much-needed confidence among the donors, development partners and local taxpayers to continue supporting climate change interventions.

2.3 Climate finance accountability mechanisms in Uganda

Delivering public financial resources for climate change-relevant actions depends critically on the strength of the Public Finance Management (PFM) system. The Ministry of Finance, Planning and Economic Development (MoFPED) has internal processes for follow up of climate finance projects. Accountability mechanisms specific to climate finance are currently not well pronounced. The MoFPED produces annual reports on public debt, grants, contingent liabilities and guarantees as legally required by the Public Finance Management Act (PFMA, 2015) in section 39(4) on Guarantees, Section 42(2) and 42(3) on proceedings and Management public debt, guarantees, and other financial liabilities of Government, and Section 44(5) on Grants received. The report in part documents the climate related grants or loans that were acquired and utilized during the period under review and submitted to Parliament. The Minister of finance is also required to make a report about climate financing and utilization to the Parliamentary standing committee on climate change. This process is so far being formalized. Also, the external climate finance grants are well accounted for and project reports are properly written and accessible on request.

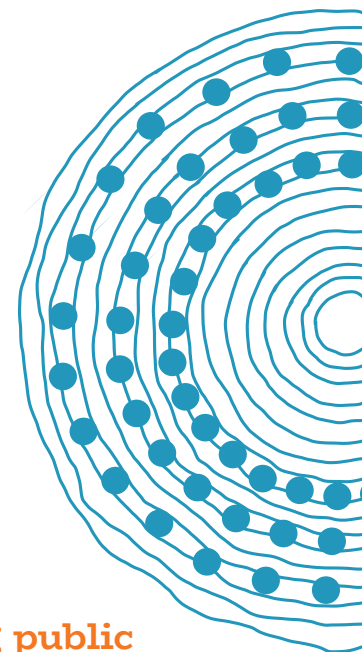
As already mentioned, there is no specific accountability mechanism for climate finance in Uganda. Instead, accountability is done following existing public accountability mechanisms. Mapping and tracking is still a difficult job since climate finance is not coded in the national budget. Climate finance estimates based on available data are highly uncertain and incomplete, highlighting several challenges in establishing a robust tracking system which undermines effective accountability. That said, tracking adaptation finance could help government of Uganda and the non-state actors understand how much and what type of adaptation finance is being utilised and what it being done to mitigate climate change impacts. Conversely, mapping and tracking adaptation finance enables actors to evaluate progress, assess governance (based on the principles of transparency, accountability, equity, efficiency, and effectiveness) inform and influence decisions.

Budget transparency and accountability is enshrined within the Public Finance Management Act, 2015 -whose objective is to enhance public financial management through various actions, including “establishment of processes for the preparation, approval and management of a transparent, credible and predictable annual budget”⁷. Section 12(2) requires Parliament to ensure that public resources are held and utilized in a transparent, accountable, efficient, effective, and sustainable manner. Although climate finance accountability is not well streamlined, traces of accountability are embedded within the existing public finance accountability architecture which includes budget transparency and accountability, parliamentary oversight and accountability, financial accountability/value for money audit.

2.3.1 Budget transparency and accountability

In terms of budget transparency, Uganda has been performing well on the African continent. In Open Budget Survey (OBS 2019), Uganda was second best in Africa after South Africa with a transparency score of 58 percent. Though this was lower than 2017 score of 60

⁷ Uganda Budget transparency and accountability strategy 2018; <https://budget.go.ug/sites/default/files/Uganda%20Budget%20Transparency%20and%20Accountability%20Strategy.pdf>



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Inclusive public participation is crucial for realizing the positive outcomes associated with greater budget transparency. According to OBS 2019, Uganda has a public participation score of 22 percent. This shows poor performance and still needs improvement.

percent that also placed Uganda second⁸. Budget transparency is achieved through enhancing public participation, access to information on climate budget related to programs and projects across sectors.

Public Participation

Inclusive public participation is crucial for realizing the positive outcomes associated with greater budget transparency. According to OBS 2019, Uganda has a public participation score of 22 percent⁹. This shows poor performance and still needs improvement. This is partly because Uganda does not have a citizen participation law that can help structure citizens' participation in meaningful and useful interventions that can support downward accountability¹⁰.

Access to information

An essential factor in ensuring effective climate-related public finance management and robust public accountability is public access to comprehensive and timely climate-related budget information. The Access to Information Act 2005 and the Access to Information Regulations, 2011 provide for: (i) upholding of every citizen's right to access to information; (ii) promotion of an efficient, effective, transparent, and accountable government; and (iii) every minister to submit an Annual Report to Parliament on requests for records or for access to information made to public bodies under their ministry annually, indicating granted or rejected requests and any reasons¹¹. However, compliance with the Law is limited which has adversely affected the realization of the right to information on government policies and programs.

MoFPED established a budget information website and call center for the public to access budget information (www.budget.go.ug) and budget toll free line 0800229229. It provides information on National and Local Government (LG) budget. In addition, under this initiative, public institutions are mandated by PFMA 2015 to display budget information on public notice boards which ensures there is transparency and accountability in the use of public funds to the taxpayers. For instance, Ministry of Water and Environment website (<https://>

⁸ <https://www.internationalbudget.org/open-budget-survey/country-results/2019/uganda>

⁹ Ibid

¹⁰ CSBAG, (2020): Practices and Experiences of downward accountability in Uganda

¹¹ Ibid page 7

www.mwe.go.ug/) had various projects and programs relating to climate change as well as different development partners supporting various interventions well stipulated. This initiative is well replicated by various Ministries Departments and Agencies (MDAs), however, financial accountability cannot easily be traced.

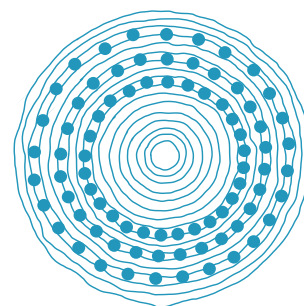
Most importantly MoFPED in collaboration with Global Green Growth Institute (GGGI) recently developed a climate finance portal at <http://www.climatefinance.go.ug> for which all the climate finance related information can be found. The portal shows all the climate finance projects and programmes as well as different financing mechanisms. Whereas the portal is not giving all the necessary information relating to value for money and related information, this is a good initiative that should be strengthened to provide critical climate finance and accountability information including climate finance flows by government, CSOs, private sector among others. In addition, MoFPED publishes a report on Public guarantees, grants, loans and Debt management every year and has a section on climate finance.

Parliamentary oversight/accountability

Section 12(2) of PFMA, 2015 requires Parliament to ensure that public resources are held and utilized in a transparent, accountable, efficient, effective and sustainable manner. The Parliamentary Budget Office is Uganda's Independent Fiscal Institution (IFI). Oversight on the use of public funds rests with Public Accounts Committee (PAC) of Parliament. The PAC is provided for under Rule No.148 of the Rules of Procedure. It is mandated to examine the audited accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure of government¹². Its independence is set in PFMA, 2015, and it reports to the legislature. It publishes its own macroeconomic forecasts and its own cost estimates of all new policy proposals.

Financial audit/Value for money audit

Article 163 (3)(b) of the constitution of the Republic of Uganda (1995) requires the Auditor General to conduct financial and value for money audits in respect of any project involving public funds, while Article 163(4) requires him/her to submit to Parliament a report of the accounts audited under clause 3 for the financial year immediately preceding¹³. Article 154(3) of the Constitution requires the Auditor General to approve withdrawal of funds from the consolidated fund as prescribed by Parliament. Section 19(2) of the National Audit Act, 2008 as amended by Section 82(4), of the PFMA, 2015, requires the Auditor General to audit and report to Parliament within 6 months after the end of the financial year¹⁴.



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¹² See; <https://parliamentwatch.ug/committee/public-accounts-committee/>

¹³ See <http://www.oag.go.ug/wp-content/uploads/2021/03/OAG-PERFORMANCE-REPORT-2020-FINAL.pdf> page 22

¹⁴ Ibid page 22

3.0


CLIMATE CHANGE FINANCE AND ACCOUNTABILITY CONCERNS AND POLICY RECOMMENDATION



Capacity of Climate Change Department (CCD)

The Climate Change Department under Ministry of Water and Environment was set up as one of the national measures to strengthen Uganda's implementation of the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol (KP). The major role of CCD is to coordinate all MDAs to ensure proper mainstreaming of climate change interventions. They also coordinate with MoFPED in ensuring climate change proposals from various MDAs are supported for funding.

Policy recommendation



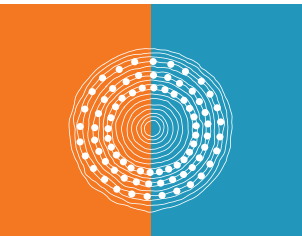
There is urgent need to strengthen the Climate Change Department (CCD). This will include strengthening technical capacity and increasing financial resources for the department to fully coordinate all MDAs to plan, budget and implement climate change interventions across programmes.

Technical capacity across institutions of Government and other stakeholders

In Uganda, one of the main challenges faced by relevant Government agencies in accessing climate funds is inadequate technical capacity to prepare bankable project proposals that meet the eligibility requirements of the various climate change funding windows. This capacity gap is equally very pronounced amongst civil society and private sector actors who

cannot easily access adequate climate fund related grants to undertake the much-needed interventions among communities. Successful implementation of Climate Change Responsive Budgeting largely depends on how the various sectoral Ministries articulate the climate change considerations in designing and implementation of their programmes /schemes.

Policy recommendations



The Climate Change Department (CCD) and MoFPED should strengthen the capacity of Government agencies and more specifically Local Governments in climate finance funding proposal development. This capability will reinforce efforts to strengthen public financial management and budget planning in general, and specifically enhances the ability of the MoFPED to allocate and manage resources towards the National Climate Change Policy and Nationally Determined Contributions (NDCs).

Passing of the Climate Change Bill, 2020 into Law

Whereas Uganda signed and ratified both the United Nations Framework Convention on Climate Change (**UNFCCC**), the Kyoto Protocol and the Paris Agreement, 2015, the country is yet to pass into law the Climate Change Bill, 2020 that provides legitimacy and compliance to international climate change conventions that Uganda subscribes to.

Policy recommendation



We call on His Excellency the President of Uganda to assent to the Climate Change Bill, 2020 which was passed by Parliament of Uganda in April 2021.

Access to climate Finance information

We commend the Government of Uganda through the Ministry of Finance, Planning and Economic Development in collaboration with the Global Green Growth Institute (GGGI) for developing a climate finance portal at <http://www.climatefinance.go.ug> which contains critical climate finance information for Uganda. It among others includes the projects Uganda is implementing, how much Uganda is investing in climate change mitigation and adaptation among others. It specifies that Climate financing in Uganda is currently estimated at USD 942 million.

Furthermore, it is still challenging to concretely track climate change allocation and expenditure across MDAs. This was supposed to be addressed through the introduction of the budget tagging system, that MoFPED is yet to roll out in all line Government Ministries, Departments and Agencies (MDAs to enhance tracking and reporting of all climate change allocations and expenditures.

Recommendations



Despite this however, the Portal still needs to contain additional information which is critical for promoting climate finance accountability. Particularly, MoFPED should improve the climate change portal to provide more information such as performance reports of various projects and clearly show the climate finance flows from various sources.

MoFPED should expedite climate finance budget tagging process to allow budget coding for climate related financing in the national budget and ease tracking of climate finance resources.

Streamlining accountability mechanism to foster climate finance accountability

The mandate of Climate Change Desk under MoFPED is to coordinate funding and financial performance of climate change projects. We commend the great work of this Climate Change Desk and call for further streamlining of the mechanism of accounting for climate finance in Uganda. Furthermore, the Auditor General's reports do not have adequate information about the climate finance related expenditures since most of the departments have not streamlined climate related finance in their departmental budgets. In addition, some of the projects are implemented by Non-Government Organisations (NGOs) and Private sector who are not accountable to the Auditor General and accessing such financial records is not easily forthcoming.

Policy recommendations



Strengthen Government to develop desirable climate finance accountability mechanisms. The Office of the Auditor General (OAG) should be able to follow up on the climate finance expenditures and provide adequate reporting.

The climate change standing Committee of Parliament should strengthen oversight of climate finance and monitoring of climate finance projects to ensure value for money.

Improve Climate financing at Local Government

Local Governments lack the discretionary powers to allocate resources to address climate change related interventions. They receive Environment and Natural Resource (ENR18) conditional grants, which are largely wages and salaries. Some Local Governments often use local revenue to respond to effects of climate change related disasters on top of the support they receive from Development Partners. The limited funding or lack thereof affects the responsiveness of these LGs to adequately integrate climate change adaptation and mitigation measures in their plans and budgets. In Kasese for example, the Natural Resources Department received UGX 1,000,000 in the FY 2020/21. On top of this, LGs have limited staffing and resource mobilisation capacity to attract grants on climate change. For example, there are no Environment Officers

at lower Local Governments which limit their ability to enforce environmental protection defaulters, undertake mapping and monitoring in form of Global Information System (GIS) and remote sensing of disaster-prone areas among others.

Policy recommendations



The MoFPED should consider incorporating a climate change and disaster prevention component in all conditional grants transferred to LGs. The merit of this approach is that a criterion in the grant allocation formulae ensures that districts affected by disasters are the main beneficiaries of such financing considering the limited nature of resources.


The MoFPED should allocate LGs a specific grant directed towards climate change and disaster.

The OPM should ensure disaster elements are incorporated into the grant allocation formulae for LGs to make mainstreaming disaster preparedness, management, and prevention into sector budgets more effective

Earmark petroleum revenue to finance climate change

Uganda's oil sector is entering into production phase with environmentalists warning on the negative impacts the fossils pose to the environment including posing serious climate change risks. Despite the likely risks petroleum activities will pose towards climate change, there is no publicly available plan to utilize petroleum revenues to mitigate climate change impacts. The Public Finance Management Act 2015, stresses that Petroleum Revenues shall be used for infrastructure development and not recurrent expenditure. There is thus no indication that some of the oil revenue can be used to scale up climate change interventions and increase climate financing in Uganda.

Policy recommendation

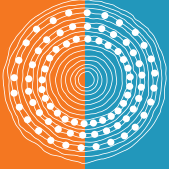


Government of Uganda should ear mark petroleum revenue to finance climate change interventions. This will require amendment of PFMA, 2015, Petroleum management policy 2012 and National Oil and Gas Policy 2008.

Strengthen Gender and inclusion in climate change programmes

Although gender and inclusion are of great interest, various projects have minimum focus on gender and inclusion. Whereas there was no deliberate assessment of various climate change programmes regarding gender integration, information gathered from interviews manifested limited gender focus. For example, various CSOs reported gender inclusion but government run programmes had limited gender focus.

Policy recommendations



MDAs should strengthen gender mainstreaming in all climate change programmes either funded nationally or by bilateral, multilateral, and international non-governmental organizations.

In addition, Central Government transfers through the budget should also emphasize gender and inclusion across various interventions relevant to climate change.

4.0

CONCLUSION



In conclusion, Climate Finance Accountability is not independently streamlined but rather incorporated in the existing accountability mechanisms of public funds. Whereas the focus on climate finance accountability is very critical for governments to provide confidence to global financiers and domestic taxpayers, effort should be put on streamlining Climate Finance Accountability mechanisms to ensure that there is efficient and transparent utilization of available funds. Additionally, the national climate change expenditure is very low in addition to poor allocative efficiency, and this spells doom for overall climate change action response from all stakeholders, including the private sector. Currently the global inflows for climate change actions outweigh the national expenditure, which is unsustainable since it is impossible to plan on foreign aid as its scope and time of receipt is beyond the control of Government of Uganda.



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